

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

IN RE: HIGH-TECH EMPLOYEE)
ANTITRUST LITIGATION)
) No. 11-CV-2509-LHK
THIS DOCUMENT RELATES TO:)
ALL ACTIONS.)
_____)

CONFIDENTIAL - ATTORNEYS' EYES ONLY

VIDEO DEPOSITION OF LORI McADAMS

AUGUST 2, 2012

Reported by: Rosalie A. Kramm, CSR No. 5469, CRR

09:25:55 1 is hourly.

09:26:00 2 Q. [REDACTED]

[REDACTED] [REDACTED]

[REDACTED] [REDACTED]

[REDACTED] [REDACTED]

[REDACTED] [REDACTED]

[REDACTED] [REDACTED]

[REDACTED] [REDACTED]

[REDACTED] [REDACTED]

09:26:29 10 A. We quote it weekly, but, yes, a weekly salary.

09:26:33 11 Q. Okay.

09:26:34 12 A. They don't, you know, get paid by the hour.

09:26:37 13 Q. Right. Are there particular job categories at

09:26:43 14 Pixar that tend to fall into the category of either

09:26:46 15 hourly work or salaried work?

09:26:51 16 A. Well, we follow the Fair Labor Standards Act

09:26:53 17 and wage laws of California, and so, yes, the -- the

09:26:56 18 positions are determined to be hourly or salaried based

09:26:59 19 on those rules.

09:27:04 20 Q. So there is not -- are there particular kinds

09:27:07 21 of job tasks that tend to be performed by people who earn

09:27:11 22 a salary as opposed to people who earn an hourly wage?

09:27:16 23 A. It all depends on the job description. Again,

09:27:19 24 we -- we have a job description that -- that we will

09:27:21 25 evaluate against the rules of wage and hour law, and that

09:27:25 1 determines what -- whether it's a salaried position or an
09:27:30 2 hourly position.

09:27:32 3 Q. Okay. So focusing -- I think we're probably
09:27:35 4 going to spend most of the day talking about salaried
09:27:38 5 employees, but focusing on the salaried employees, how
09:27:41 6 does Pixar determine what salary to pay an employee -- a
09:27:46 7 salaried employee?

09:27:50 8 A. We establish salary ranges for each of our
09:27:54 9 positions, and an employee is offered or paid usually
09:28:01 10 within that salary range.

09:28:09 11 Q. Who -- are those salary ranges -- when you say
09:28:14 12 a -- for positions, who -- how are the salary ranges
09:28:20 13 determined for -- how is the salary range determined for
09:28:22 14 a particular position?

09:28:25 15 A. We participate in salary surveys in the
09:28:31 16 industry and -- and in -- in various fields, and use that
09:28:37 17 information to determine the appropriate salary range.

09:28:41 18 Q. Who -- who is "we" at Pixar? Who makes the
09:28:44 19 decision about salary range?

09:28:47 20 A. It depends on the position, but I do or one of
09:28:52 21 the people on my team who handle compensation.

09:28:57 22 Q. Is there a process by which that determination
09:29:04 23 takes place? I mean, for example, does this happen every
09:29:06 24 year? Does it happen every six months? Does it happen
09:29:09 25 irregularly?

09:29:10 1 A. Well, we receive our salary surveys that we
09:29:14 2 participate in. We get results of that on an annual
09:29:17 3 basis. And so within HR we review our salary ranges
09:29:21 4 relative to that data to determine if we should modify
09:29:26 5 our salary ranges at all.

09:29:28 6 Q. Can you tell me, like, approximately what time
09:29:30 7 of year that happens?

09:29:33 8 A. It happens in the summer for the more
09:29:37 9 entertainment industry-related positions, and it -- the
09:29:42 10 technology survey we can get anytime we want, so we tend
09:29:45 11 to do it about the same time, in the summer or fall.

09:29:49 12 Q. And within Pixar, do you have the final
09:29:53 13 authority with respect to setting salary ranges, or do
09:29:56 14 they have to be approved by someone else?

09:29:58 15 A. I have the final authority.

09:30:04 16 Q. Are there other staff members who participate
09:30:06 17 in that process with you?

09:30:08 18 A. Yes.

09:30:09 19 Q. Who are they?

09:30:11 20 A. My compensation manager, Stephanie Sheehy,
09:30:14 21 handles a number of the tasks for already-established
09:30:21 22 positions.

09:30:24 23 Q. And has she done that since you joined the
09:30:26 24 company in 2004?

09:30:29 25 A. She joined a little bit later than I did, but

09:30:31 1 she's been there for probably seven years or so.

09:30:47 2 Q. What determines how an employee is paid within
09:30:51 3 the range of salary? What determines where they fall in
09:30:56 4 that range?

09:30:58 5 A. Do you mean for a new employee or an existing
09:31:01 6 employee?

09:31:03 7 Q. Well, let's -- if there is a difference, then
09:31:06 8 why don't we start out with an existing employee. How do
09:31:09 9 you know where they fall in that range?

09:31:10 10 A. With an existing employee we evaluate
09:31:13 11 performance, and we look at contributions to the studio
09:31:18 12 as well, the number of projects; not really tenure, but
09:31:23 13 by the nature of, you know, how our projects worked.
09:31:27 14 That comes into play. And then we look at where they are
09:31:31 15 in the range relative to those things and determine
09:31:34 16 whether they're in the right place of -- of the range,
09:31:37 17 given their performance.

09:31:39 18 Q. Will the -- are the ranges typically broken
09:31:42 19 down into different grades?

09:31:45 20 A. No. Salary -- some would call a salary range a
09:31:48 21 grade. We don't use that naming convention, but there
09:31:51 22 is -- it's a range.

09:31:53 23 Q. So a given employee could fall anywhere in that
09:31:57 24 range. It is not like every 10, \$5,000, or something.

09:32:01 25 A. Correct.

09:32:01 1 Q. Okay.

09:32:02 2 A. [REDACTED]

[REDACTED] [REDACTED]

[REDACTED] [REDACTED]

[REDACTED] [REDACTED]

[REDACTED] [REDACTED]

[REDACTED] [REDACTED]

[REDACTED] [REDACTED]

09:32:32 9 Q. Now, how is the compensation of a new

09:32:37 10 employee -- how is the base salary of a new salaried

09:32:41 11 employee determined?

09:32:42 12 A. We look at their experience and education and

09:32:49 13 how we evaluate them against existing employees and --

09:32:53 14 and make them an offer relative to their experience

09:32:56 15 and -- and our existing talent.

09:33:05 16 Q. Other than the annual review, if that's the

09:33:09 17 right term, that takes place following the results of the

09:33:14 18 survey, are there ever other adjustments that are made to

09:33:19 19 the salary ranges?

09:33:23 20 MS. HENN: Objection.

09:33:28 21 THE WITNESS: Yeah, can you -- can you ask that

09:33:29 22 again? Because --

09:33:31 23 BY MR. GLACKIN:

09:33:31 24 Q. Sure.

09:33:32 25 A. Yeah.

09:33:34 1 Q. So putting aside the process you just
09:33:35 2 described, where you receive the results of the survey
09:33:39 3 and then make adjustments to the -- evaluate your salary
09:33:42 4 ranges, putting aside that process --

09:33:44 5 A. Uh-huh.

09:33:44 6 Q. -- has Pixar ever adjusted salary ranges
09:33:48 7 outside of that process, for example, at a different time
09:33:51 8 of year?

09:33:54 9 A. Not generally. We -- we tend to do that
09:33:57 10 evaluation once a year.

09:34:00 11 Q. Has it ever happened, to your knowledge?

09:34:04 12 A. There has been a time where we will look at the
09:34:08 13 salary survey at a different time of year because we --
09:34:11 14 we believe the market might be changing, and so we'll
09:34:16 15 look and see that the salary ranges have moved, and we
09:34:20 16 may make adjustments to, you know, a particular position
09:34:23 17 or group of positions in terms of the salary range if we
09:34:26 18 think the data has changed, or we see that the data has
09:34:32 19 changed.

09:34:34 20 Q. And how -- how often has that happened during
09:34:36 21 the time you've been at Pixar?

09:34:40 22 A. Not often. I don't recall specifically, but
09:34:41 23 not very often.

09:34:52 24 Q. When you are conducting the annual review of
09:34:55 25 salary ranges, do you consider turnover rate or employee

09:43:49 1 A. Usually a combination of me and Jim Morris, our
09:43:53 2 general manager, and our VP of finance.

09:43:59 3 Q. Is that something that happens a few times a
09:44:02 4 year? Once a year? Every few years?

09:44:04 5 A. It probably happens a dozen times a year,
09:44:09 6 perhaps.

09:44:14 7 Q. What are some of the things that might cause an
09:44:16 8 employee to be paid a performance based -- a bonus-based
09:44:20 9 on their individual performance?

09:44:22 10 A. If someone performs a job that is higher than
09:44:26 11 theirs, for example, if a coordinator ends up stepping
09:44:30 12 into the role of a leader of a group, because the leader
09:44:33 13 is absent on a leave or something, we don't promote them
09:44:38 14 because it's a temporary situation, but we might give
09:44:42 15 them a bonus at the end of the period that they were
09:44:46 16 stepping into that role to thank them and recognize their
09:44:49 17 work.

09:44:50 18 Q. Are those kinds of bonuses only paid to
09:44:53 19 salaried employees, or are they also sometimes paid to
09:45:00 20 hourly employees?

09:45:01 21 A. They are paid to hourly as well, any employee
09:45:04 22 we may want to.

09:45:05 23 Q. Does Pixar ever give its employees raises?

09:45:08 24 A. Yes.

09:45:09 25 Q. How is the decision made to give an employee a

09:45:12 1 raise?

09:45:13 2 A. We have an annual program where raises are
09:45:16 3 given to all eligible employees.

09:45:19 4 Q. Is that the same thing as the review of base
09:45:23 5 salary ranges, or is it something different?

09:45:26 6 A. It's something different.

09:45:28 7 Q. Okay. So how does that process work?

09:45:31 8 A. Well, once a year a pool is established. We
09:45:34 9 determine what our salary percentage increase will be for
09:45:37 10 the studio. And each manager is given a pool of money
09:45:44 11 and guidelines to distribute that pool to their employees
09:45:49 12 for their annual increases.

09:45:51 13 Q. And those increases are distributed on an
09:45:53 14 employee-by-employee basis by the managers?

09:45:56 15 A. They are.

09:45:58 16 Q. How is the total salary increase pool
09:46:02 17 determined?

09:46:05 18 A. We look at what we can afford, and we also look
09:46:11 19 at the salary survey data on what increases are trending,
09:46:18 20 have been trending to be. We also look at the cost of
09:46:22 21 labor or living in the Bay Area.

09:46:28 22 Q. So why have two processes? Why -- why is it
09:46:40 23 that Pixar both adjusts base salary ranges and also has a
09:46:45 24 process by which it gives raises to individual employees?

09:46:49 25 A. Well, the salary range adjustments is something

09:46:51 1 that's done by human resources so that we have ranges for
09:46:55 2 all of our established positions. And then the managers
09:46:59 3 are provided any updated salary range information so that
09:47:03 4 when they are distributing their salary increase pool,
09:47:06 5 they know if someone is below -- you know, they know
09:47:11 6 where their people are in those salary ranges and can
09:47:14 7 provide, you know -- can spend their pool accordingly.

09:47:21 8 Q. So is the -- are the salary range -- are the
09:47:23 9 salary ranges determined first and then the pool is
09:47:27 10 distributed, so to speak?

09:47:29 11 A. Yes.

09:47:33 12 Q. Who has the final decision about the size of
09:47:38 13 the salary increase pool?

09:47:42 14 A. I do, and -- with Jim Morris, our general
09:47:47 15 manager, and our VP of finance.

09:47:49 16 Q. So the three of you make the decision together?

09:47:52 17 A. Yes. Ed Catmull is also part of the
09:47:55 18 conversation, but, generally, the three of us make the
09:47:58 19 determination.

09:48:04 20 Q. Okay. Does Pixar ever provide or pay bonuses
09:48:11 21 or profit sharing that's based on the overall performance
09:48:14 22 of the company?

09:48:15 23 A. We pay bonuses to our employees, yes.

09:48:18 24 Q. So how does -- what kind of bonuses does Pixar
09:48:22 25 pay to its employees that are different than what we've

09:48:24 1 already talked about?

09:48:25 2 A. We have a film bonus program that after the
09:48:28 3 completion of our film, then we can assess the
09:48:32 4 profitability over time. We have a practice -- I
09:48:36 5 wouldn't say it's a policy, but have a practice of paying
09:48:39 6 bonuses to all employees in the company based on that
09:48:44 7 profitability.

09:48:45 8 Q. And how are those bonuses for profitability
09:48:50 9 determined for individual employees?

09:48:53 10 A. Well, all individuals receive the same number
09:48:58 11 of weeks of pay. So we determine, based on
09:49:01 12 profitability, how many weeks of pay we will pay to
09:49:04 13 everyone, and then the employees will receive that same
09:49:09 14 number, with an exception for those who have joined the
09:49:12 15 company more recently, they get a pro rata amount.

09:49:15 16 Q. So essentially you get -- you get -- every
09:49:20 17 employee gets the same fixed percentage of their annual
09:49:22 18 salary as a bonus?

09:49:24 19 A. Correct.

09:49:24 20 Q. Prorated based on how long they have been there
09:49:26 21 that year.

09:49:27 22 A. Yes. Everybody gets a -- a -- you know, a
09:49:30 23 percentage of their salary.

09:49:32 24 Q. Right.

09:49:32 25 A. And then if -- but if they are a newer

10:23:19 1 Q. Okay. Can you give me some examples of when
10:23:22 2 that has happened in the past?

10:23:27 3 A. There was a time I remember a recruiter
10:23:31 4 directly soliciting our employees, and she had worked at
10:23:34 5 Pixar, and so she knew who she wanted to call. I
10:23:40 6 remember that happening.

10:23:42 7 Q. What was her name?

10:23:43 8 A. I think it was [REDACTED]

10:23:47 9 Q. Is that the only time you can recall?

10:23:54 10 A. That's the only time I remember, yeah.

10:23:59 11 Q. Are there any particular kinds of employees
10:24:03 12 that Pixar is particularly concerned about losing? Are
10:24:08 13 there some employees that are harder to replace than
10:24:11 14 others, another way to put it?

10:24:14 15 A. There are employees who are harder to replace
10:24:16 16 than others, but I wouldn't say there are any specific
10:24:19 17 kinds of employees we don't want to lose. We don't want
10:24:22 18 to lose any valuable employee.

10:24:25 19 Q. Okay. So I'd like to ask you some questions
10:24:30 20 now about information about salaries. You mentioned a
10:24:37 21 few times salary surveys --

10:24:43 22 A. Uh-huh.

10:24:43 23 Q. -- that Pixar participates in. Can you tell us
10:24:47 24 more about those, please?

10:24:48 25 A. Sure. There are two surveys that we generally

10:24:50 1 participate in. The Croner Company sponsors or runs one
10:24:56 2 of them, and Radford Associates handles the other.

10:25:02 3 Q. How long has Pixar been participating in the
10:25:06 4 Croner Survey?

10:25:07 5 A. Since I've been there.

10:25:08 6 Q. What about Radford?

10:25:10 7 A. Since I've been there as well, perhaps before,
10:25:13 8 but I don't know for sure.

10:25:14 9 Q. So let's start with the Croner Survey. What is
10:25:16 10 the Croner Survey?

10:25:17 11 A. The Croner Survey is an industry specific
10:25:19 12 survey that surveys positions in the animation and visual
10:25:23 13 effects industry.

10:25:25 14 Q. How many companies does it survey?

10:25:29 15 A. It varies, I believe, from year to year, but
10:25:32 16 somewhere, 20 to 30, I think.

10:25:35 17 Q. How does that survey process work?

10:25:39 18 A. Well, the -- the Croner Company sponsors a
10:25:43 19 meeting where the participating companies come and
10:25:46 20 determine what positions we will put in the survey. I
10:25:50 21 haven't attended this meeting in a number of years, but I
10:25:53 22 used to. I believe it still happens the same way.

10:25:56 23 And the -- it's discussed what positions are
10:26:00 24 going to be included, because we need to make sure that
10:26:03 25 there are enough matches, that enough companies would

10:26:06 1 have that position in order to be able to report out on
10:26:08 2 the data.

10:26:09 3 And then the Croner Company compiles the survey
10:26:13 4 and sends it to all the companies who participate. And
10:26:17 5 in Pixar's case, we compile our data on what we pay those
10:26:21 6 positions, and submit it to Croner, and then Croner
10:26:25 7 compiles the information from all of the companies, and
10:26:28 8 if it's, you know, statistically significant, and
10:26:34 9 confidentiality can be maintained, they include
10:26:36 10 information on the position or the positions and send us,
10:26:40 11 all of the participants, back the survey results.

10:26:44 12 Q. Is there a minimum number of companies that
10:26:48 13 have to be included in any aggregate data that is
10:26:53 14 provided by Croner?

10:26:54 15 A. Yes.

10:26:54 16 Q. What is that minimum number?

10:26:56 17 A. I think it's five.

10:26:57 18 Q. Why -- has anybody ever explained to you why
10:26:59 19 there is a minimum number?

10:27:02 20 A. In order to maintain confidentiality and keep
10:27:04 21 the statistical significance, I believe.

10:27:14 22 Q. Why is it important to maintain
10:27:16 23 confidentiality?

10:27:20 24 A. Because compensation is a confidential matter,
10:27:23 25 and you wouldn't -- I wouldn't want what our employees

10:27:27 1 make being shared outside of our studio or with the
10:27:31 2 wrong -- you know, with anyone but the employees or the
10:27:34 3 management.

10:27:35 4 Q. Why -- why is five a better number than four?

10:27:38 5 A. I don't know.

10:27:41 6 Q. Did anybody ever tell you that one reason for
10:27:44 7 having a minimum number of companies included in the
10:27:47 8 aggregate data would be to avoid non-compliance with the
10:27:53 9 antitrust laws?

10:27:54 10 MS. HENN: I'll just object here for a minute
10:27:56 11 that if this question is calling for privileged
10:27:58 12 information, you should not -- you should so indicate and
10:28:01 13 not provide that information. If what he is asking you
10:28:03 14 has to do with something you were told by a lawyer --

10:28:05 15 THE WITNESS: Yeah.

10:28:05 16 MS. HENN: -- you shouldn't say.

10:28:07 17 THE WITNESS: Yeah, I -- I won't answer that
10:28:08 18 question.

10:28:08 19 BY MR. GLACKIN:

10:28:09 20 Q. Okay. So the answer is somebody -- you -- the
10:28:12 21 answer is you can't answer that question because it would
10:28:14 22 require you to divulge privileged information?

10:28:16 23 A. Because I might have -- yes. Yes.

10:28:18 24 Q. Okay. Just to be clear, that would be
10:28:21 25 information that you received -- or information contained

ERRATA SHEET

Witness: Lori McAdams

Date of Deposition: August 2, 2012

Page Line

| | | | |
|-----|-----|---------|---|
| 13 | 3-4 | Change: | Capitalize "Vice President of Human Resources and Administration" |
| | | Reason: | Capitalization |
| 23 | 3 | Change: | Change "benefit employees" to "benefitted employees" |
| | | Reason: | Transcription error |
| 37 | 12 | Change: | delete the word "a" before "turnover" |
| | | Reason: | Transcription error |
| 57 | 15 | Change: | Change the phrase "search for" to "search firm" |
| | | Reason: | Transcription error |
| 71 | 3 | Change: | Change "requested" to "requesting" |
| | | Reason: | Transcription error |
| 75 | 19 | Change: | Change "Jo DiCenzo" to "Jodi DiCenzo" |
| | | Reason: | Misspelling |
| 79 | 3 | Change: | Insert "person" between "compensation" and "at Sony Pictures." |
| | | Reason: | Transcription error |
| 131 | 10 | Change: | Change "Curry" to "Currey" |
| | | Reason: | Misspelling |
| 167 | 21 | Change: | Change "Andre and" to "angering" |
| | | Reason: | Transcription error |
| 171 | 1 | Change: | Capitalize "The" in "the Walt Disney Company" |
| | | Reason: | Capitalization |
| 173 | 25 | Change: | "Jeremy" to "Jerremy" |

| | | | |
|-----|---|---------|------------------------|
| | | Reason: | Misspelling |
| 174 | 1 | Change: | "Jeremy" to "Jerremy" |
| | | Reason: | Misspelling |
| 174 | 3 | Change: | "Jeremy" to "Jerremy" |
| | | Reason: | Misspelling |
| 214 | 7 | Change: | Change "here" to "her" |
| | | Reason: | Typo |

 Subject to the above changes, I certify that the transcript is true and correct.

 No changes have been made. I certify that the transcript is true and correct.

Jori M. Adams
(signature)

q-;o-J;;;J..
(date)